Closure of Bank branches in rural areas

†2928. SHRI UDAY PRATAP SINGH: Will the Minister of FINANCE be pleased to state:

(a) whether Government are aware that Indian and Foreign banks are closing their branches in rural areas of the country; and

(b) if so, the reasons therefor and the guidelines and incentives being extended by Government to the banks for keeping their business alive in the rural areas?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI ANANDRAO VITHOBA ADSUL): (a) and (b) Foreign banks in India have no pesence in rural areas. Therefore, the question of closing of their rural branches does not arise. A few Indian banks have been permitted to close/merge their loss making branches in rural areas. The Banks are allowed to close their loss making rural branches at centers having two or more branches of commercial banks functioning there. Further, under the Reconstruction Plan of Weak Banks approved by Government and Reserve Bank of India (RBI), three banks *viz.* Indian Bank, UCO Bank and United Bank of India were allowed to rationalize the branch network by closure/ merger of their loss-making rural branches in order to reduce their expenditure without affecting the banking service at the rural centers. RBI have advised the banks that a branch which is the only branch functioning at a rural center should not be shifted/closed/merged outside the service area as this would render the area unbanked.

Opening of Insurance Sector for Infrastructural Sector

2929. SHRI ABHAY KANT PRASAD: Will the Minister of FINANCE be pleased to state:

(a) whether Government propose to open up the insurance sector for financing infrastructure sector;

(b) if so, the details thereof;

(c) by when the financing of infrastructural sector is likely to be started; and

(d) if not, the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI ANANDRAO VITHOBA ADSUL): (a) to (c) The Insurance Act, 1938 and Insurance Regulatory & Development Authority (Investment)

†Original notice of the question was received in Hindi.

Regulation, 2000 prescribes the pattern of investment to be followed by the insurance companies. As per the existing provisions, not less than 15% of controlled fund in the case of registered life insurance companies and 10% of total assets in the case of registered general insurance companies are to be invested in infrastructure and social sectors.

(d) Do not arise in view of the reply above.

Banks' Proposal for Bond Buyback Scheme

2930. SHRIMATI SHABANA AZMI: Will the Minister of FINANCE be pleased to state:

(a) whether the Ministry of Finance has rejected a proposal to allow banks greater flexibility in using the income received from the bond buyback scheme announced in this year's budget;

(b) if so, the main reasons for the rejection;

(c) whether any compromise has been considered; and

(d) if so, the other alternatives being suggested by the Ministry to consider banks' proposal?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI ANANDRAO VITHOBA ADSUL): (a) to (d) Government of India have not imposed any restriction on the utilisation of income received from the bond buyback scheme. Infact, an additional deduction has been allowed under the Income-tax Act, 1961 on premium received under the scheme to the extent that such premium is used for provisioning for their non-performing assets.

Fall in Public Savings

2931. SHRI VIJAY J. DARDA: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that from a level of 2.5 per cent in 1990s, rate of public savings has fallen to around a negative 2.5 per cent in 2002-2003, thereby bringing Government investment on infrastructure to 4.5 per cent of GDP from earlier 5 per cent;

(b) if so, whether Government are thinking of drastic reduction in subsidies and also adopting other measures; and